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# The Treasury Note

A monthly newsletter of municipal finance

August 1, 2001

## UCLA Anderson Forecast

UCLA's Anderson Forecasting Project held its quarterly economic conference on June 28. While not outright forecasting a recessionary second half to 2001, UCLA's economists cited California's information technology downturn and electric power crisis as roadblocks to economic growth.

Contributing to this prediction was the close to non-existent growth in nonfarm employment in the second quarter, with expectations that it will not improve during the second half of 2001. Nonfarm employment's annual rate of growth, sustained by a strong start in the first half, is just above 2 percent. However, the economists expect 2002 to post an annual increase of only 1.3 percent.

In addition, the number of unemployed workers is projected to increase to 1.16 million by 2003, from a low point of 800,000 in early 2001.

Also expected is a leveling of residential construction brought on by the slowing economy, averaging 157,000 units in 2001. High interest rates and higher prices are expected to keep average residential construction to only 149,000 units by 2003.

Nationally UCLA's economists believe the lack of business investment was offset by consumer spending in the first quarter of 2001. However, this is not expected to be enough to sustain the economy for the rest of the year and it is predicted that this will lead to slower growth and rising unemployment.

## California Receives \$4.3 Billion Loan To Purchase Power

The State announced the closing of a \$4.3 billion loan on June 26, 2001, with proceeds to be used to purchase energy in the months ahead.

With the infusion of private funds, the State of California will be able to:

- stem the flow of taxpayer (General Fund) money for power purchases and replace it with financing secured solely by electricity rate revenues
- stabilize the State's fiscal position and credit ratings
- make available working capital to the Department of Water Resources (DWR) power purchase program, providing flexibility in the timing of the bond sale and thereby avoiding the risk of a cash flow crisis before the long-term Power Supply Revenue Bonds are sold
- support the long-term bond issuance by building market momentum for the bond sale as a result of the substantial commitment of capital by leading investment and commercial banks
- negate any remaining generator arguments for a "credit premium" on the price of power charged to DWR due to the lack of external financing
- remove the current ability of generators to "walk" from most existing contracts by meeting the terms requiring DWR to obtain external financing by July 1, 2001

The overall interest rate at closing is 4.14 percent.

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## Listing of Redemptions and Defeasances

This listing reflects redemptions and defeasances officially announced as of July 15, 2001 and August 1, 2001.

Questions regarding redemptions or registration information can be directed to the *Investor Relations Section* at (800) 900-3873.

**California Housing Finance Agency, Multi-Family Revenue Bonds, 1979 Series B, Dated Date: November 1, 1979 (Full Redemption).** All bonds are being redeemed on August 1, 2001.

**State Public Works Board of the State of California, Lease Revenue Bonds (California Community Colleges), 1991 Series A, Dated Date: August 1, 1991 (Partial Redemption).** \$3,110,000 of the bonds due September 1, 2004, \$3,310,000 of the bonds due September 1, 2005, \$3,550,000 of the bonds due September 1, 2006, \$3,785,000 of the bonds due September 1, 2007 and \$17,855,000 of the bonds due September 1, 2011 will be redeemed on September 1, 2001.

**State Public Works Board of the State of California, Energy Efficiency Revenue Bonds, 1991 Series A, Dated Date: August 1, 1991 (Partial Redemption).** \$3,015,000 of the bonds due September 1, 2004, \$3,175,000 of the bonds due September 1, 2005 and \$1,420,000 of the bonds due September 1, 2006 will be redeemed on September 1, 2001.

**State Public Works Board of the State of California, Lease Revenue Bonds (Franchise Tax Board Central Office Project – Phase II), 1991 Series A, Dated Date: December 1, 1991 (Partial Redemption).** \$2,245,000 of the bonds due September 1, 2005 and \$16,845,000 of the bonds due September 1, 2011 will be redeemed on September 1, 2001.

**State Public Works Board of the State of California, Lease Revenue Bonds (Department of Corrections), 1991 Series A (State Prisons – Imperial County), Dated Date: November 1, 1991 (Partial Redemption).** \$11,700,000 of the bonds due September 1, 2004, \$12,400,000 of the bonds due September 1, 2005, \$38,600,000 of the bonds due September 1, 2008, \$41,755,000 of the bonds due September 1, 2011, \$142,745,000 of the bonds due September 1, 2019, and \$72,810,000 of the bonds due September 1, 2021 will be redeemed on September 1, 2001.

## Energy Issues In California

If you would like information on the Water Resources Electric Power Program Bonds, please visit our website at: [www.treasurer.ca.gov](http://www.treasurer.ca.gov).

For additional information on energy conservation and recent actions involving energy solutions, please visit the California energy website at [www.energyinfo.ca.gov](http://www.energyinfo.ca.gov) and the Department of Water Resources website at [www.water.ca.gov](http://www.water.ca.gov).

## Bond Sales Calendar\*

If you are interested in purchasing any of these bonds, please contact your broker two weeks before the sale date. For updated information, check our website ([www.treasurer.ca.gov](http://www.treasurer.ca.gov)) or call (800) 900-3873.

BOND SALES	AMOUNT	SALE DATE
Water Resources Electric Power Program Bonds	To be determined	To be determined
Various Purpose General Obligation Bonds	\$500-750 million	To be determined
State Public Works Board	\$50 million	To be determined
Various Purpose General Obligation Bonds	\$500 million - \$1 billion	To be determined
Department of Veterans Affairs, General Obligation Bonds	To be determined	December 2001

**\*Subject to change without notice.**

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